



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

June 15, 1977

Docket No. 50-346

Toledo Edison Company
Cleveland Electric Illuminating Company
ATTN: Mr. Lowell E. Roe
Vice President - Facilities
Development
Edison Plaza
300 Madison Avenue
Toledo, Ohio 43652

Gentlemen:

The Commission is completing the implementation of certain provisions of the 1975 amendments to the Price-Anderson Act (Public Law 94-197), so that the new retrospective premium system can become effective on August 1, 1977.

The Commission published in the Federal Register on January 3, 1977 (42 F.R. 46) its intention to establish certain requirements relating to guaranteeing retrospective premiums to assure that following a nuclear incident deferred retrospective premiums will be paid by licensees and that government funds will not have to be used to cover defaults in such payments. These guarantee requirements may be met by providing any one or a combination of alternative methods in the amount of \$10 million for each large power reactor a licensee operates. These alternatives would be:

1. Surety bonds;
2. Letters of credit;
3. Revolving credit/term loan arrangements;
4. Maintenance of escrow deposits of government securities;
5. Annual certified financial statements and cash flow projections showing either that a cash flow (i.e., cash available to a company after all operating expenses, taxes, interest charges and dividends have been paid) can be generated and would be available for payment of retrospective premiums within three (3) months after submission of the statement, or a cash reserve or a combination of cash flow and cash reserve, and
6. Such other type of guarantee approved by the Commission.

The purpose of this letter is to learn from you the type of guarantee that you intend to provide as well as to provide some guidance concerning

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Alternative 5 of the guarantees (a showing of adequate cash flow). In order to allow us to analyze the adequacy of the showing of cash flow, we should be provided with the following:

- (1) An annual certified financial statement for the most recent reported year preceding the submission date;
- (2) a quarterly financial statement for the last quarter preceding the submission date;
- (3) a one year internal cash flow projection accompanied by underlying assumptions showing that cash flow (i.e., cash available to a company after all operating expenses, taxes, interest charges, and dividends have been paid) for \$10 million can be generated and would be available for payment of retrospective premiums within three months after submission of the statement;
- (4) a narrative statement indicating which capital expenditures (if any) would be curtailed to ensure that retrospective premiums up to \$10 million would be available for payment.

The cash flow projection should be for a one year period preferably beginning either at the anniversary date or if unduly burdensome at the calendar year starting closest to the anniversary date. This projection should include a detailed breakdown of expected cash sources, e.g., retained earnings, depreciation, deferred taxes, etc., and should be certified by an official of the company.

All utilities will be required to provide their first submission of guarantees by August 1, 1977. Annual submissions thereafter should be on the anniversary date of any of the utility's indemnity agreements. Utilities may request another date for their annual submittals. If more than one statement is provided in those cases where there are multiple licensees, all such statements should utilize the same submittal date.

As provided for in the regulations, the Commission will impose a single \$1,000 minimum indemnity fee per year upon any licensee submitting in that year a certified financial statement as the guarantee of payment of deferred premiums for its operating reactors. If more than one statement is provided in those cases where there are multiple licensees, then a \$1,000 minimum annual indemnity fee will be imposed on each licensee submitting a statement. We would expect, however, that in cases where there are numerous licensees, some with small percentages of ownership, that only the principal owner(s) will submit this information for the entire \$10 million guarantee.

We would appreciate your indicating to us by July 1, 1977 the type of guarantee that you intend to provide us with on August 1, 1977 and what your preferred anniversary date for future submittals would be. Please provide the contents of this letter to your co-licensees (if any). If you have any questions concerning this letter or any other matter, you may contact Ira Dinitz, Indemnity Specialist on 301-443-6961.

Sincerely,

Signed, Jerome D. Saltzman

Jerome Saltzman, Chief
Antitrust & Indemnity Group
Nuclear Reactor Regulation